



Accelerating Defense Reform with Commercial Business Practices

Proposal for Action
March 1999

The Commercial Business Environment Challenge

To *accelerate* the adoption of best business practices for achieving better quality, improved speed, and greater value in providing warfighter support across the Department of Defense.

Why Accelerate Change?

- Infrastructure is too large, inefficient.
 - ◆ Need flexible, agile support to meet modern warfighter needs
- Resources needed for modernization now
 - ◆ Slow evolution consumes critical resources.
- Need to leverage commercial technology and efficiencies
 - ◆ DoD unique solutions are costly and behind technology curve.

Commitments

- Support warfighters with best business practices.
- Create integrated, end-to-end relationships with customers and suppliers.
- Focus on win/win relationships.
- Collaborate across the supply chain.
- Eliminate barriers and costly procedures.
- Create an action learning culture to accelerate ongoing reforms.

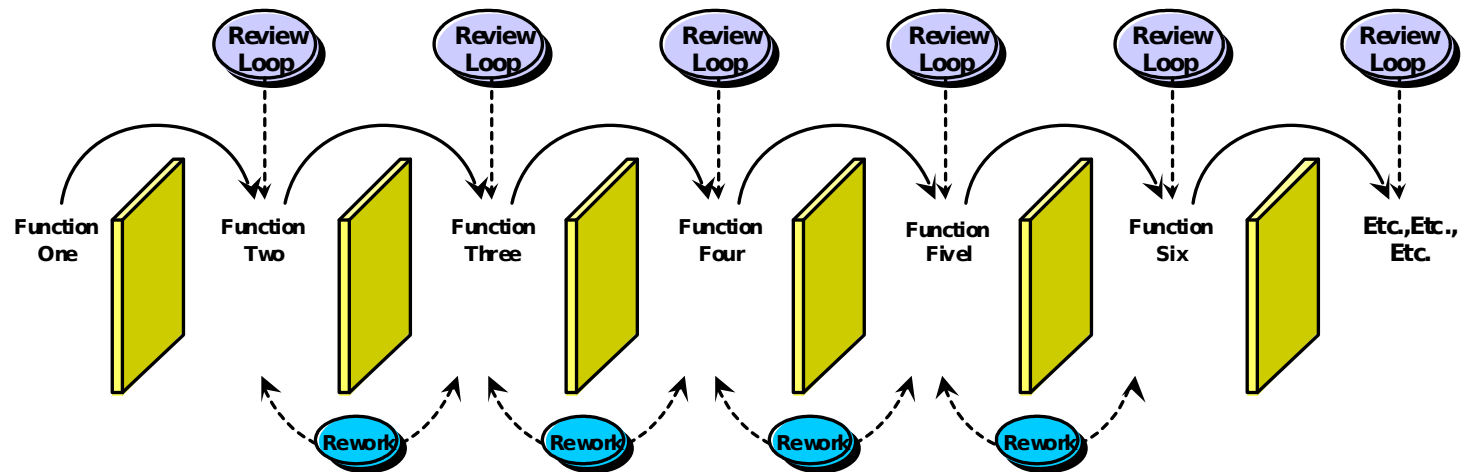
Core Behaviors

- Encourage risk-taking - stretch developmental assignments
- Embrace prudent risks to achieve team results.
- Freely share relevant ideas, concerns, objections, and recommendations within team without fear.
- Use functional expertise to enhance the team outcome.
- Delegate decision-making to the appropriate level.
- Contribute to the best business practice body of knowledge.

A New Operating Model

**From Functional Silos
To Supply Chain
Management**

Defense Acquisition *Yesterday, Today*

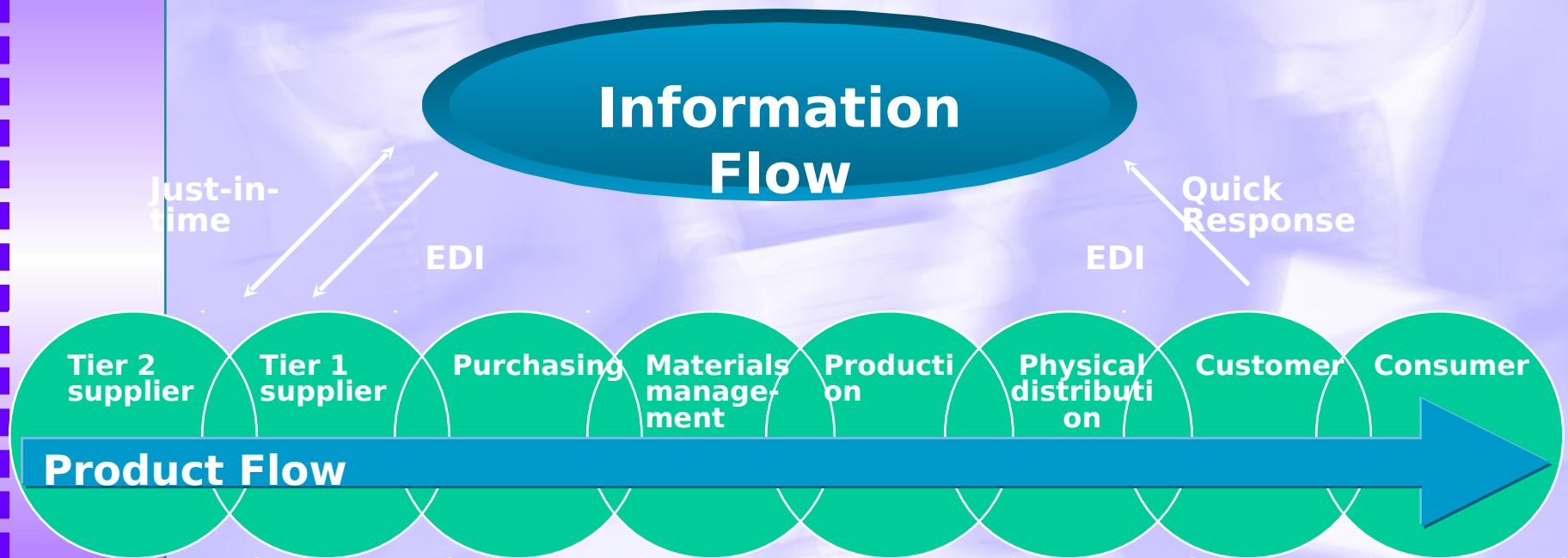


Functional Silos and Endless Review Points

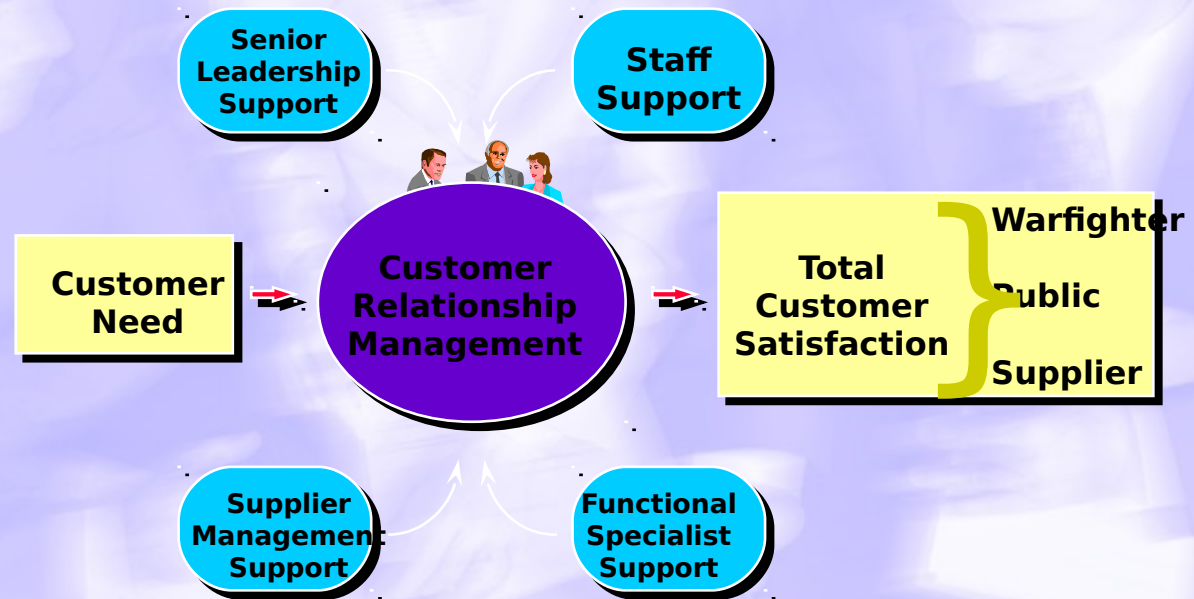
- No single point of ownership for balancing stakeholder interests on each acquisition request.
- High likelihood of rework and delays from downstream issues.
- Frustration and low morale.

Recommended Strategy:
Team Acquisition

... Tomorrow Integration and Collaboration Across the Supply Chain



Best Practice Defense “Team Acquisition” Organization



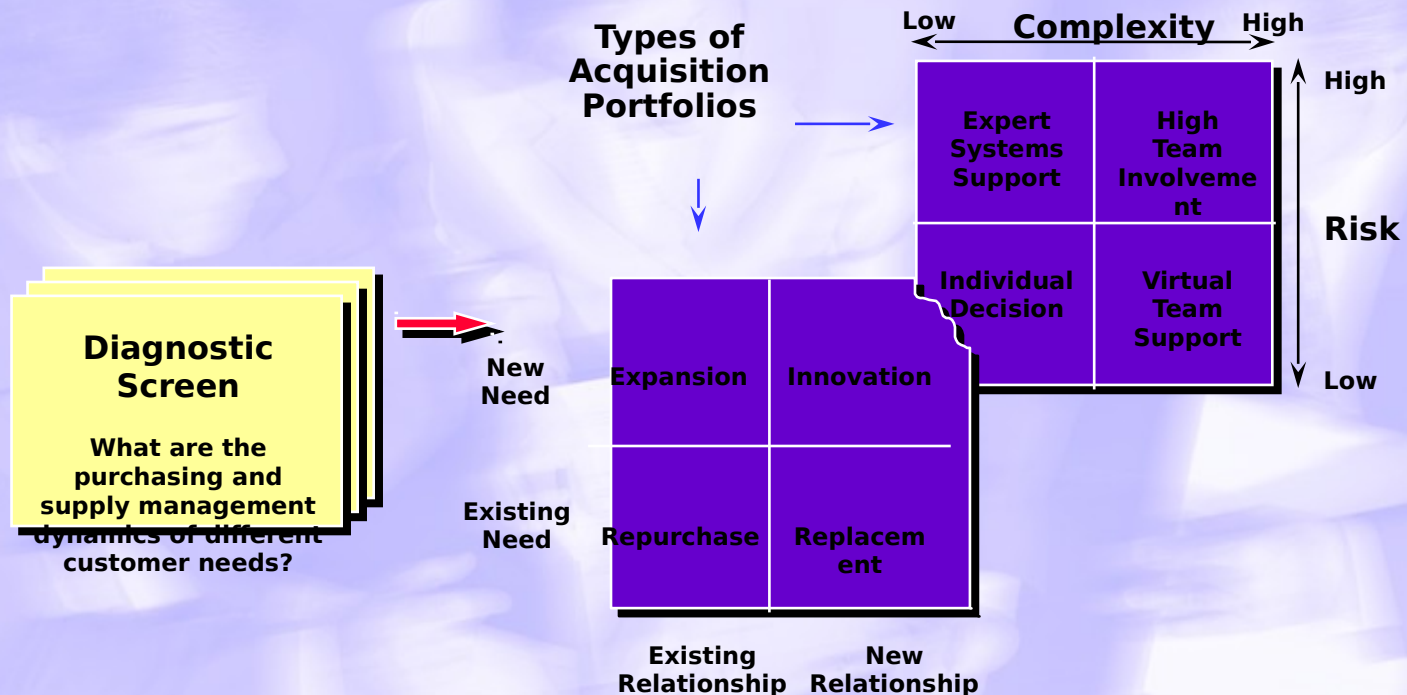
Cross-Functional Team Approach Led by Customer Relationship Managers

- Single point ownership for balancing stakeholder interests.
- Dedicated support to improve the quality and timeliness of acquisition decisions.

Recommended Strategy:
Team Acquisition

Role, responsibilities and rewards tied to a balanced scorecard.

Best Practice Defense “Team Acquisition” Organization



Portfolio Approach to Acquisition Management

- Acquisition processes are tailored to fit the different dynamics of responding efficiently and effectively to different customer needs.
- Acquisition knowledge and expertise are developed around purchasing and supply management dynamics.
- Optimization is achieved by managing cost, quality and cycle-time drivers simultaneously.

Recommended Strategy:
Team Acquisition



How To Accomplish The New Operating Model: Team Acquisition

Vision for Creating the Best Practices Defense “Team Acquisition”

Our goal is to equip the Defense Acquisition Community to *take the lead* in accelerating the adoption of best practices—both from industry and Government—that will dramatically improve both the *quality and end results* of all acquisition decisions made to support the Defense interests of the United States.

Key Vision Actions

The following key actions must become the *first priority* for Defense Acquisition Leaders at all levels:

1. Good business judgment must become the driver of acquisition decisions—not the narrow interpretation of rules.
2. Defense acquisition professionals must be granted the authority equal to their responsibility to carry out acquisition requests in the most efficient and effective way possible.
3. Cross-functional teaming must become the norm for ensuring quality and results throughout the acquisition process.

Operating Principles for Exercising Good Business Judgment

Key operating principles to move from an environment where rules drive decisions to an environment where good business judgment drives decisions:

- a. Exercising good judgment means balancing the interests of all stakeholders including performance and on-time delivery to the warfighter customer; value and fairness to the public; and the well-being and health of supplier partners.
- b. Contracting rules should be used to protect the public trust and do what is in the best interests of all stakeholders.
- c. Taking risks is an inherent part of using good business judgment and must be embraced not avoided.

Operating Principles for Exercising Good Business Judgment (Cont'd.)

- d. Making errors or mistakes is a natural consequence of exercising good business judgment and is expected—
 - failure to learn from mistakes, however, is not acceptable.
- e. Using good business judgment means stopping a program or questioning the value of customer requests
 - when it appears stakeholder interests are not being served in a balanced way.

The Payoff - Some real World Examples



The background of the slide features a faded, light blue image of several business professionals in a meeting. They are gathered around a table, looking at documents and laptops. The overall tone is professional and collaborative. On the far left, there is a vertical purple bar with a dashed white line running down its length.

HOW TO MOVE FROM PILOT SUCCESS TO INSTITUTIONALIZATION

Barriers to Change

- Size *over 150,000 personnel involved in acquisition*
- Complexity *diverse needs and buying centers*
- Culture *pervasive risk aversion*

What Won't Work

- Training Alone: End-to-end processes and incentive systems must change along with skills and knowledge
- Pilot Programs Alone: The benefits of acquisition reform have been clearly demonstrated. We need to institutionalize reforms while fostering new programs.
- Senior Leadership Alone: Senior defense department leaders need to be engaged in accelerating change.

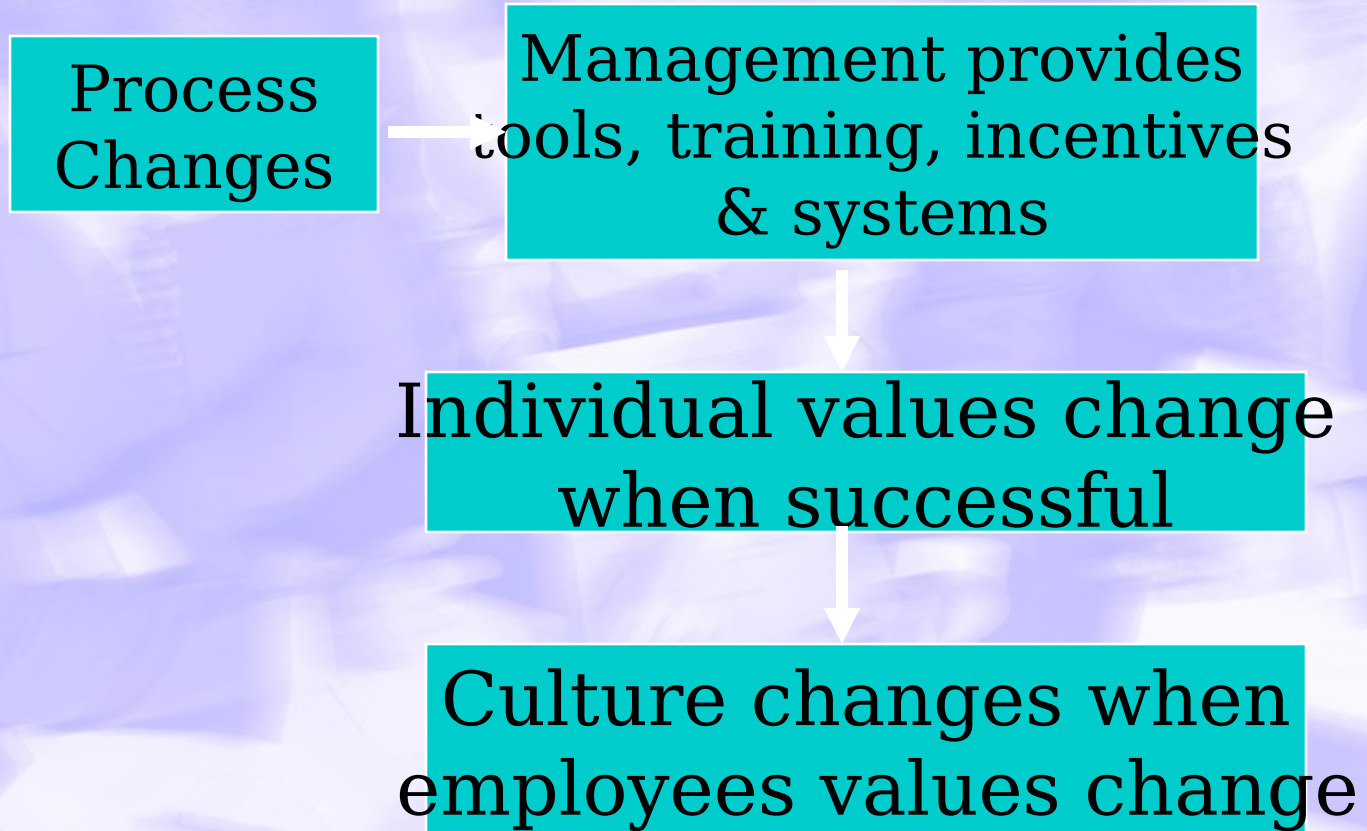
What Can Work

Leadership-driven, team-based, results-oriented, acceleration model widely used to change commercial enterprises

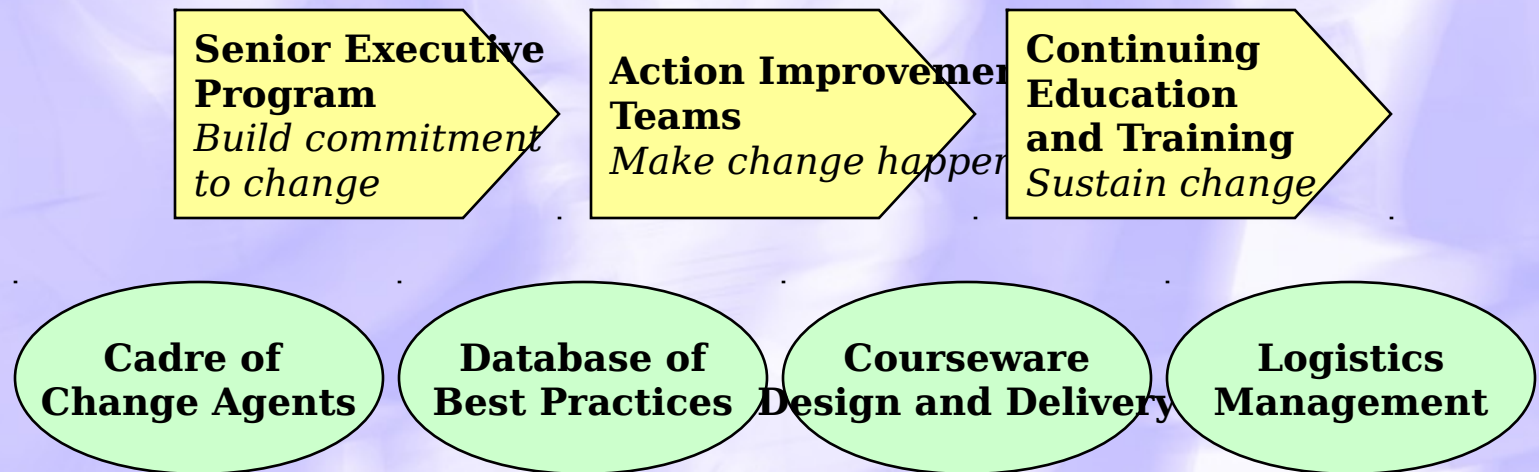
A background image showing three business professionals in a meeting. Two men and one woman are gathered around a table, looking at documents and a laptop. The image is faded and has a blue tint. On the left side of the slide, there is a vertical blue bar with a dashed white line.

PRINCIPLES OF CULTURAL CHANGE

Cultural Change



An Enterprise-wide Corporate University Change Model



Change Acceleration Program Industry Model

Executive Development Program (EDP)

Purpose: Defines new behaviors

Instructors: CEO and his direct reports

Participants: Top 200 executives

12 months



Business Direction Program (BDP)

Purpose: Defines new behaviors

Instructors: Selected EDP Senior Managers

Participants: 800 executives

Business Imperative Program

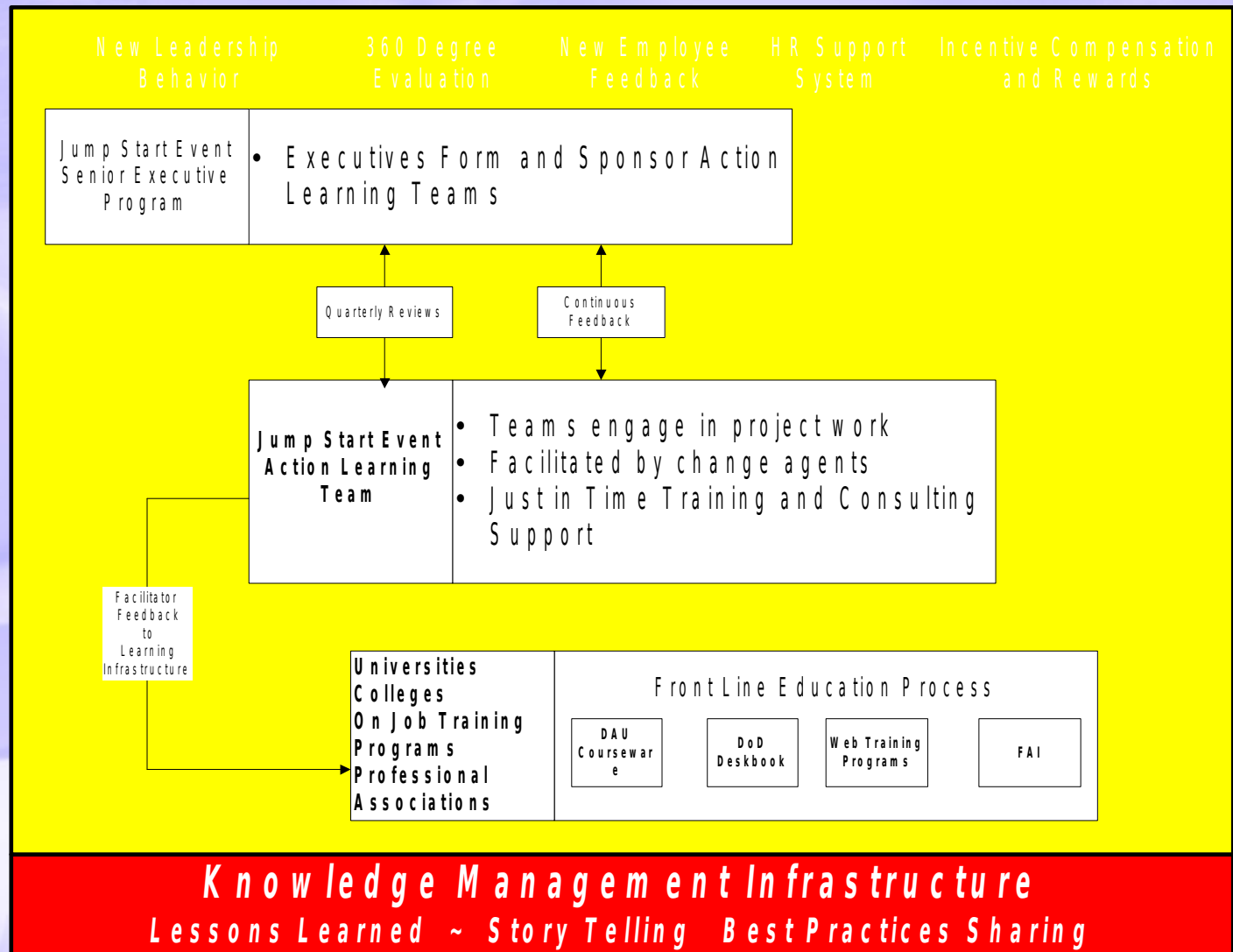
Purpose: Defines new behaviors

Instructors: Selected BDP Line Managers

Participants: 7000 front line managers and supervisors

The Solution

Driving Enterprise Change Through Action Learning



Applying the Enterprise Change Model to Defense Reform

- ① Conduct Defense Management Council Kick-off session.
- ② Design and execute a one-day “jump-start” event for senior leaders.
- ③ Support senior leaders with action team process for rapid improvement.
- ④ Establish a mission support office.
- ⑤ Reengineer the Defense Acquisition University into a center of knowledge, skills, and tools that senior leaders can use to sustain change.

Defense Management Council Kick-off

- Present the compelling case for change.
- Build confidence that rapid improvement in defense acquisition is possible.
- Use event to engage DMC in communicating goals of the action team process for the enterprise.

Senior Leader “One-Day Jump-Start Event”

- Senior leaders attend first session.
- Present the compelling case for change.
- Build confidence that rapid improvement in defense acquisition is possible with senior leader engagement.
- Use the event to engage senior leaders in the action team process within their enterprise.

Action Team Rapid Improvement Process

- Senior leader and direct reports within their enterprise attend 3-day workshop to learn the action team process (groups of 25-30 per workshop)
- Workshop provides a 12 month plan to accelerate acquisition reform through action teams.
- Designated staff trained as action team coaches to support execution of the plan after the workshop.

Reengineer Defense Acquisition University

- Reposition DAU from “educators on rules” to “builders of change capabilities.”
- Review all existing courseware and commit to a plan to streamline and revise the existing curriculum to support skills and knowledge required for accelerated change.
- Develop new skill and knowledge education tracks to support redefined roles and responsibilities.
- Link skill and knowledge tracks directly to the overall vision for defense reform and action team process.

Establish Mission Support Office

- Responsible and accountable for creation and execution of the enterprise change model for defense reform.
- Contract with commercial vendors for design and delivery of core services.
- Establish a central point for capturing and disseminating best practices; measuring results and return on investment; and communicating progress.

Leadership Roles

- Continuously refine and communicate goals
- Knowledge to empower others (including delegation)
- Understand global implications
- Manage diverse stakeholder interests (public trust).
- Recreate organization and its processes
- Be a team member—not the boss.
- Be a successful change agent.
- Set boundaries and remain within them.

Team Acquisition: Scorecard

- ◆ Reduced procurement cycle time.
- ◆ Increased nontraditional vendor participation.
- ◆ Increased percentage of dollars go into product.
- ◆ Transition Year 2000 goals across enterprise

Team Acquisition: Systems

- Implementation of reward system.
- Elevate ORD and APB to status of performance contract.
- Teaming benchmarking database in place.
- Develop enterprise-wide requirements analysis process.
- Develop a model project architecture.
- Organizational review: structure, mission and function, position descriptions; accountability and responsibility.

Team Acquisition: Activity

- Train and deploy change agents.
- Provide team training.
- Transition activities to team acquisition concept.
- Conduct training: teaming, project management, change management.
- Develop metrics to measure customer and supplier satisfaction.
- Mix of projects across range of acquisitions following team acquisition model.